

ORIGINAL

NEW APPLICATION



0000181177

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

TOM FORESE - Chairman
BOB BURNS
DOUG LITTLE
ANDY TOBIN
BOYD DUNN

AUG 17 2017

DOCKETED BY

RECEIVED
AZ CORP COMMISSION
2017 AUG 17 A.M.

In the matter of:

WILLIAM AUSTIN BAILEY (CRD#
1085215), a single man,

ASSOCIATED PROFESSIONAL
INVESTMENTS, LLC (CRD# 148986), an
Arizona limited liability company,

Respondents.

DOCKET NO. S-21021A-17-0256

NOTICE OF OPPORTUNITY FOR HEARING REGARDING PROPOSED ORDER OF REVOCATION

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that, under the Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* ("IM Act"), grounds exist for the revocation of William Austin Bailey's license as an investment adviser representative and Associated Professional Investments, LLC's license as an investment adviser.

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the IM Act.

II.

RESPONDENTS

2. At all times material to this matter, Bailey has been a resident of Arizona.

3. Associated Professional Investments, LLC ("API") is a member-managed limited liability company organized under the laws of the state of Arizona on or about December 31, 2008.

1 4. At all times material to this matter, Bailey has been the sole member of API.

2 5. On or around June 11, 2014, Bailey and API applied for licensure with the
3 Commission as an investment adviser representative and an investment adviser, respectively.

4 6. On May 7, 2015, API became licensed with the Commission as an investment adviser,
5 and Bailey became licensed with the Commission as an investment adviser representative in
6 association with API.

7 7. API and Bailey may be referred to collectively as "Respondents."

8 **III.**

9 **FACTS**

10 ***Failure to Disclose 2013 and 2014 Bankruptcies***

11 8. On September 12, 2013, Bailey filed a petition for bankruptcy in the United States
12 Bankruptcy Court, District of Arizona. The case was dismissed in December 2013.

13 9. On February 28, 2014, Bailey filed another petition for bankruptcy in the United States
14 Bankruptcy Court, District of Arizona. This case was also dismissed in October 2014.

15 10. As part of his application for licensure with the Commission as an investment adviser
16 representative, Bailey submitted a Form U4.

17 11. In response to U4 question 14(K)(1), which asked whether Bailey had filed a
18 bankruptcy petition in the last ten years, Bailey falsely answered "No."

19 12. As part of its application for licensure with the Commission as an investment adviser,
20 API submitted a Form ADV.

21 13. In response to Item 7(B) of API's Form ADV, Part 2B, Bailey and API falsely
22 represented that "During the past ten years, Mr. Bailey has not been the subject of a bankruptcy
23 petition(s)."

24 14. As of the date of this Notice, Bailey and API have not amended their answers to U4
25 questions 14(K)(1) or Item 7(B) of API's Form ADV, Part 2B, to disclose Bailey's 2013 and 2014
26 bankruptcies.

Failure to Comply with or Disclose the 2015 Arbitration Award

15. When applying for licensure with the Commission as an investment adviser representative, Bailey also responded to U4 question 14(I)(1)(b), which asked whether he had ever been named as a respondent or defendant in an investment-related, consumer-initiated arbitration which alleged that he was involved in one or more sales practice violations and which resulted in an arbitration award. Bailey answered, "No."

16. In response to U4 question 14(I)(4)(b), which asked whether he had ever been the subject of an investment-related, consumer initiated arbitration claim which alleged that he was involved in one or more sales practice violations and which resulted in an arbitration award, Bailey also responded, "No."

17. In response to Item 19(D)(1) of API's Form ADV, Part 2A, Bailey and API represented that "None of our management persons have been involved in an award or otherwise to [sic] have been found liable in an arbitration claim alleging damages in excess of \$2,500 involving any of the following matters.

- A [sic] investment or an investment-related business or activity;
- Fraud, false statement(s), or omissions; . . . or
- Dishonest, unfair, or unethical practices."

18. In response to Item 19(D)(2) of Form ADV, Part 2A, Bailey and API represented that "None of our management persons have been involved in an award or otherwise to [sic] have been found liable in a civil, SRO, or administrative proceeding involving any of the following matters.

- An investment or an investment-related business or activity;
- Fraud, false statement(s), or omissions; . . . or
- Dishonest, unfair, or unethical practices."

19. On May 20, 2015, an arbitration panel issued an award ("McDonald Arbitration Award") in a FINRA arbitration ("McDonald Arbitration") initiated in 2011 by three former customers of Bailey.

b) Bailey's application for licensure as an investment adviser representative was inaccurate and misleading within the meaning of A.R.S. § 3201(A)(1);

c) Bailey violated the IM Act within the meaning of A.R.S. § 44-3201(A)(3) by failing to file a supplemental statement showing material changes in the facts contained in his original application for licensure within thirty days within the meaning of A.R.S. § 3159(A)(1); and

d) Bailey failed to file with the commission any record, report, financial statement or other information required under the IM Act within the meaning of A.R.S. § 44-3201(A)(4) by failing to file a supplemental statement showing material changes in the facts contained in his original application for licensure within thirty days within the meaning of A.R.S. § 3159(A)(1).

27. Grounds exist to revoke API's license with the Commission as an investment adviser because it is in the public interest; and:

a) API's application for licensure as an investment adviser is inaccurate and misleading within the meaning of A.R.S. § 3201(A)(1);

b) API violated the IM Act within the meaning of A.R.S. § 44-3201(A)(3) by failing to file a supplemental statement showing material changes in the facts contained in its original application for licensure within thirty days within the meaning of A.R.S. § 3159(A)(1); and

c) API failed to file with the Commission a record or other information required under the IM Act within the meaning of A.R.S. § 44-3201(A)(4) by failing to file a supplemental statement showing material changes in the facts contained in its original application for licensure within thirty days within the meaning of A.R.S. § 3159(A)(1).

V.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order the revocation of Bailey's license as an investment adviser representative pursuant to A.R.S. §§ 44-3201(A)(1), 3201(A)(3), 3201(A)(4), and 3201(A)(13);

2. Order the revocation of API's license as an investment adviser pursuant to A.R.S. § 44-3201(A)(1), 3201(A)(3), and 3201(A)(4); and

3. Order any other relief that the Commission deems appropriate.

VI.

HEARING OPPORTUNITY

Each Respondent may request a hearing pursuant to A.R.S. § 44-3212 and A.A.C. R14-4-306.

If a Respondent requests a hearing, the requesting Respondent must also answer this Notice. A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting Respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation. Additional information about the administrative action procedure may be found at <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>.

VII.

ANSWER REQUIREMENT

Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

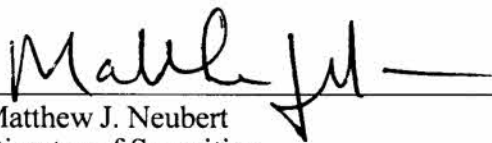
Additionally, the answering Respondent must serve the Answer upon the Division. Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007, addressed to Chris Nichols.

The Answer shall contain an admission or denial of each allegation in this Notice and the original signature of the answering Respondent or Respondent's attorney. A statement of a lack of sufficient knowledge or information shall be considered a denial of an allegation. An allegation not denied shall be considered admitted.

When the answering Respondent intends in good faith to deny only a part or a qualification of an allegation, the Respondent shall specify that part or qualification of the allegation and shall admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

The officer presiding over the hearing may grant relief from the requirement to file an Answer for good cause shown.

Dated this 17th day of August, 2017.


Matthew J. Neubert
Director of Securities